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REPORT

ON THE

Financial and Industrial Conditions

OF THE

PHILIPPINE ISLANDS,

BY

EDWARD W. HARDEN,

Special Commissioner of the United States.

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LETTER.

WASHINGTON, D. C., *November 30, 1898.*

SIR: The Hon. Wm. R. Day, Secretary of State, appointed me an honorary commissioner to investigate and report on financial and industrial conditions in the Philippine Islands, the appointment bearing date of August 2, 1898. In conformity with his request I have made a careful study of conditions in the Philippine Islands, and have embodied the result of my work in a report, which, under the direction of the Secretary of State, I have the honor to submit to you herewith.

The task of obtaining data on financial and industrial conditions in the Philippine Islands has been a difficult one. There are no official statistics available on trade and commerce, and for the most part the information which is contained in my report has been gathered from private sources. The larger exporting and importing houses have kept statistics of trade, and these are as reliable as any figures that were available.

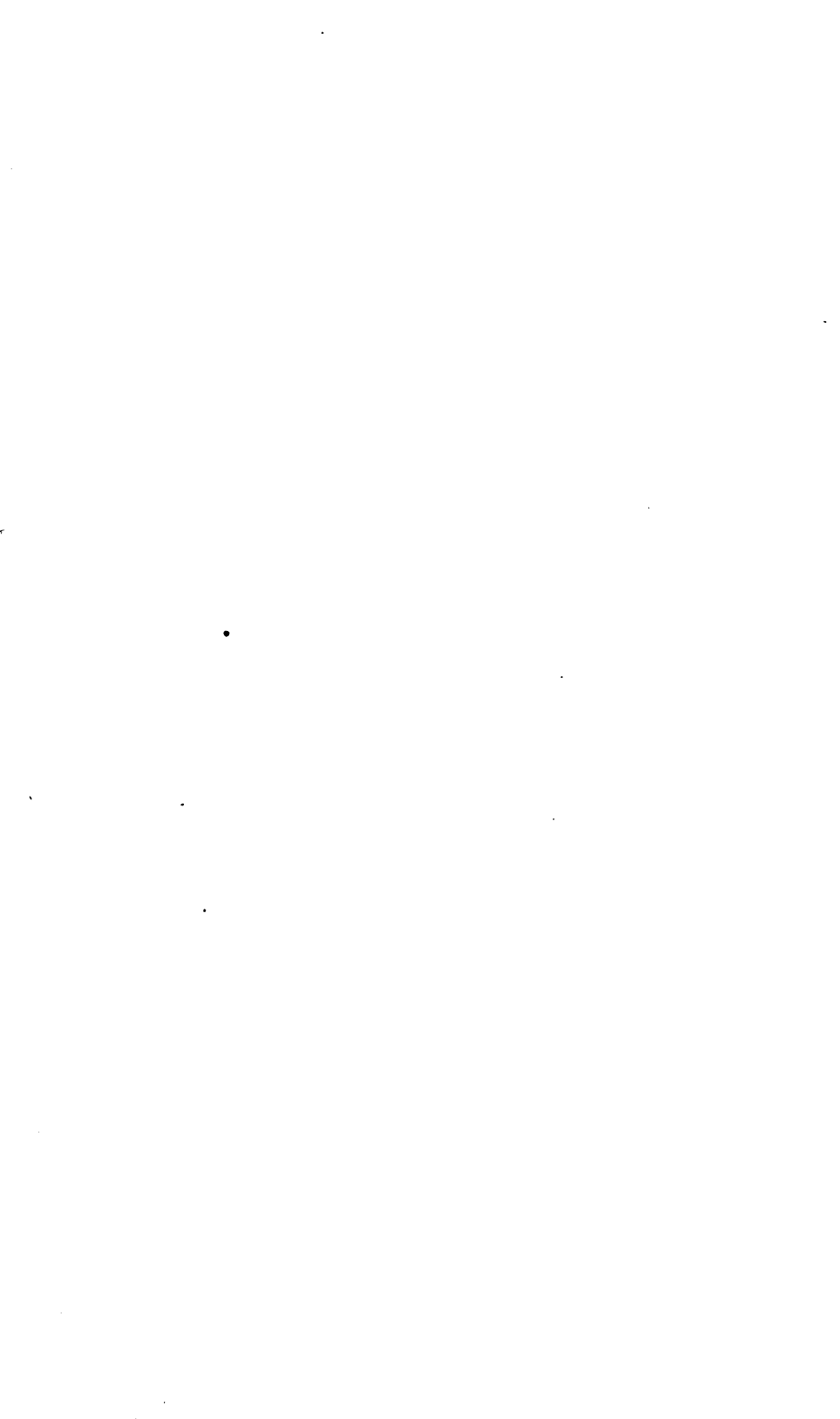
If there had been official statistics obtainable from the Spanish Government offices, they would have been used instead as the basis of this report. While, to some extent, the figures given in my report are approximate, they are the most reliable and the nearest correct of any that could be obtained.

I was in Manila Bay with the blockading fleet from May 1, the day on which the Spanish squadron was destroyed, until the bombardment and capture of Manila on August 13. Following that event I went ashore, remaining in Manila until October 8. Most of the figures and facts which are contained in the report I am submitting were obtained during the time I was in the city of Manila.

There are some further facts, which will form the subject of an appendix to this report, which I will submit to you as soon as the work of preparing the matter can be concluded.

Very respectfully,
Hon. SECRETARY OF THE TREASURY.

EDWARD W. HARDEN.



FINANCIAL AND INDUSTRIAL CONDITIONS IN THE PHILIPPINE ISLANDS.

Silver is the basis of the currency in the Philippine Islands. There is no gold in general circulation and has been none for more than twenty years. The Mexican dollar of a date previous to 1877 is current in the islands, and it is practically the only money in general circulation. The Spanish Government, in the summer of 1897, coined \$6,000,000 of silver in a local currency which was sent to the islands. These dollars are lighter in weight than the Mexican dollar, but the scarcity of money in the Philippine Islands caused them to be quickly absorbed. There is a local note-issuing bank called the Banco Español Filipino, which has in circulation notes based on silver, of which there was outstanding on September 30, 1898, approximately, \$2,500,000.

The currency of the islands was originally gold, in pieces of \$1, \$2, and \$4, with the Mexican silver dollar and the old Spanish silver dollars, the latter circulating to a limited extent only. Previous to 1875 the silver was often at a premium over gold. When silver began to depreciate in value the gold coin was rapidly exported and replaced by the Mexican silver dollar, which has for a long time been in general use throughout the Orient. Gold became so scarce through the export of the gold coin, and the silver was taking its place so rapidly, that the Spanish Government took steps to stop the export of the one and the import of the other. In the spring of 1878 an edict was issued from Madrid prohibiting the import of all silver dollars bearing a date subsequent to 1877. This law was maintained until the control of the islands passed to the United States.

The amount of money needed for the trade and commerce of the Philippine Islands fluctuates in the different seasons. In the height of the sugar season—say from February to June, when large amounts of sugar are exported—there is a sharp increase in the demand for money. For the ordinary needs of the country little money is used, as the credit system is in vogue throughout the islands, and there is, therefore, no great amount of money needed for the payment of wages to the laboring classes. In the off season, when exports are light, the demand for money would become so small that the circulating medium would be found to be much more than sufficient for the needs of the country.

The fluctuation in the demand for money in different seasons of the year resulted in widely fluctuating rates of exchange and in the continued flow of money either to or from the islands. The law which

prevented the importation of the Mexican dollars of a date subsequent to 1877 proved a great hardship to the business interests, and would have been a much greater evil had it not been for the laxity of the officials which permitted and encouraged smuggling. While virtually a silver-using country, the bankers and merchants have been denied the means of bringing in coin to balance the trade of the islands through the law which prohibited the import of Mexican dollars. When the country required currency to move off and balance the heavy exports of a good season, the only means of getting the needed money was by raising the value of the dollar to a price that would enable the smugglers to bring in coin from China at a substantial profit to themselves. It was not uncommon for the dollar to go to a premium of 10 or 12 per cent, and this would immediately start the flow of silver toward the islands, which would be continued until the demand was met and the rate of exchange was reduced to a point which would cause smuggling to cease being profitable.

The smuggling of silver into the islands was a recognized industry. It was carried on largely by the rich "mestizos," or Chinese half-castes. There was a regular system for the bringing in of these coins, which would be shipped from Hongkong in a special steamer and the cargo landed at some point north or south of Manila Bay. Practically, all of the silver was landed in the neighborhood of Bolinao, where it would be stored until it could be shipped overland to Manila. A steamer from Hongkong would run into some small bay or cove and the boxes of silver would be taken ashore in small boats. There was nothing disgraceful in the view of the people in Manila in these practices, and those who were interested in the illicit trade will discuss their operations, telling the manner in which coins were brought in. In a convent north of Manila there were regularly equipped vaults in the basement of the building, where much of the silver was first taken. The customs officers were said to be aware of the manner of bringing in coin, and in the charges computed for the import of contraband silver was also included a "squeeze" for the officials.

The result of these laws was to make money dear during the season when there was a big demand for currency, and the producers, as well as the merchants and bankers, have been robbed from year to year through the effects of the law in force. The widely fluctuating exchange rates have been of advantage to bankers and to those big business houses which held extensive credits outside Manila, but the producer and the laboring classes had always suffered.

After the occupation of Manila by the American troops permission was given the banks to import silver freely, and the result has been to keep exchange rates on a more stable basis.

The Spanish Government kept no statistics of currency or finance and the bankers can give only estimates of the most general character of the amount of currency in the islands. Practically all of the business of

the archipelago is carried on in Manila. The three banking institutions there do the business of the islands, though two have branches in Iloilo. The most careful estimate of the currency of the islands is therefore likely to be incorrect. There are 8,000,000 people in the islands according to the estimate of the Spanish Government, of whom only a small fraction live in the territory contiguous to Manila and Iloilo. When money once leaves these centers it passes out of the knowledge of business men, and it is impossible, therefore, to form any correct idea of the amount of money now in the islands. There is \$6,000,000 in Philippine dollars coined by the Spanish Government and sent out a year ago, of which only a small percentage is now in Manila. It is estimated there is in circulation \$10,000,000 of subsidiary coins, the 10-cent, 20-cent, and 50-cent pieces, which have been recoined from Mexican dollars by the Spanish Government. The estimate of the Mexican dollars now in circulation, as given by one of the best informed bankers in the islands, is from \$20,000,000 to \$25,000,000. This, with the \$2,500,000 of notes of the Banco Español Filipino now in circulation, constitutes the currency of the islands. This would make a total of from \$40,000,000 to \$45,000,000, speaking roughly, for the entire islands, or, approximately, \$5 per capita for the total population of the islands. It must not be overlooked that these figures are given on a silver basis, and that therefore in figuring on our own standard all of these figures must be cut in two. On a gold basis the currency of the islands is therefore from \$20,000,000 to \$22,500,000, or \$2.50 per capita, figuring on the total population of the islands.

Three banking institutions do the banking business of the Philippine Islands aside from that done by the large commercial houses, which buy and sell exchange, and to a limited extent carry on the business which legitimately belongs to banking institutions. Of the three banks, the two most important are branch concerns, the third being a local institution controlled by Spaniards and natives. The Banco Español Filipino is a local institution having its headquarters in Manila and with a branch in Iloilo. The two branch banks are the Manila agencies of the Hongkong and Shanghai Banking Corporation, Limited, with headquarters in Hongkong, China, and the Chartered Bank of India, Australia, and China, Limited, with headquarters in London. The Hongkong and Shanghai bank and the chartered bank do the principal exchange business of Manila, while the Spanish bank does largely a local business, having had up to the time of the occupation of Manila by American troops the financial business of the Spanish Government for the islands. The Spanish bank is the only one which issues notes, and these to a limited extent are in common circulation throughout the islands, being accepted at par everywhere where business is carried on with the outside world. Throughout the interior nothing but silver is in general circulation.

No statements were required by the Spanish Government from any

of the banking institutions showing the condition of their liabilities and assets. The banks were compelled to make statements upon which taxes were collected, but these were of a character which gave no adequate idea of the condition of the institutions. So far as the Hongkong and Shanghai and Chartered Banks are concerned, the general statements of the two corporations would apply to the branch concerns in Manila. They were conducted as a part of the whole, and the success or the failure of either was dependent upon the corporation. Therefore, the statements of the two corporations are the only statistics available which would show either the resources or liabilities of the banks concerned. The last statement available from the Spanish bank in Manila is that submitted to the stockholders at the general meeting of the concern in February of the present year. The changes which have been brought by the war have materially affected this concern, and the report made in February is far from being a correct statement of its present situation. It is the nearest to being correct, however, of anything obtainable. There is appended to this report a translation of the last balance sheet of the Spanish bank, together with the statement of the Hongkong and Shanghai bank for the fiscal half year ended June 30, 1898, and the last report of the Chartered Bank presented at the stockholders' meeting in London, April 20, 1898.

There is in Manila a savings institution and public pawn shop, which is practically under the control of the church. It is called the "Monte de Piedad." It was established to make loans to the poor people, and has done a good work during the few years it has been in existence. It has been fairly successful, and has proved to be a source of profit to those who are interested in it. Under the charter issued to it by the Spanish Government in the islands it is allowed to operate a pawn department as well as a savings department. In the pawn department loans are made on gold, silver, jewelry, and clothing in good repair at 6 per cent per annum. The savings department receives small sums on deposit from the working classes, on which interest at the rate of 4 per cent is paid, and the money received in the savings department is used in making loans upon personal property. In making loans on pledges of gold, silver, or jewelry the article is appraised at the intrinsic value of the material in each, without regard to mounting or workmanship. Loans are made on clothing in good condition. On gold and silver, loans are made for one year, and on clothing for six months; but this time may be extended by renewing the pledge and paying the accrued interest. If the article pledged has, in the opinion of the appraisers, depreciated in value, the renewal will be made only to the extent of such newly appraised value. Unredeemed pledges are sold at public auction, and if the articles bring more than the amounts loaned on them and accrued interest, the balances are held to the credit of the persons making the pledges. The savings bank opens accounts on deposits of sums from 50 cents to \$25, and interest is compounded annu-

ally. One week's notice is required for the withdrawal of any deposit. During the year 1896 there were received 44,991 pledges, on which there was advanced a total of \$1,041,194, a decrease of \$15,049 over the business done in 1895. There is given in the appendix an extract from the annual report of the bank for the year 1896.

The banks of which mention is made represent the entire banking industry of the Philippine Islands. There is a good deal of trade between the various islands in the group, and shipment of the products of one island to another island settles trade balances for goods imported from the other island. In this way a good deal of trade is carried on which requires no considerable amount of currency.

The laws which govern banking in the Philippine Islands are of a most general character. No statements are required from banking institutions other than those upon which taxes are imposed, and there is no officer charged with the duty of examining the condition of banks to determine their solvency. Practically, the only laws which affect the banking interest are those which relate to business generally. The Banco Español Filipino is operated under a charter from the Spanish Government, and a renewal of this charter was granted two years ago covering a period of twenty-five years, of which there is therefore twenty-three years yet to run. The two branch banks, the Hongkong and Shanghai, and the Chartered Bank, in establishing a business in Manila, filed with the Government officials copies of their deeds of settlement, and on the filing of these documents were given permission to begin business.

Under the charter of the Banco Español Filipino it is permitted to issue bank notes in amount equal to three times its capital stock. The present capital of the bank is \$1,500,000, and its note issue may, therefore, amount to \$4,500,000. On September 30 there was in circulation, as previously stated, approximately, \$2,500,000 of these notes. These notes are issued on a silver basis, and are payable on demand to bearer. The charter requires that there shall be maintained in cash and paper, which can be realized on in ninety days, a sufficient amount to cover its outstanding obligations in bank notes, deposits, and accounts current. There must be maintained in the bank's vaults silver in amount equal to at least one-third of the notes in circulation.

The question of the future currency of the Philippines is one which is of vital importance to all business men in the islands. The best informed men in Manila are unanimous in their opinion that under present conditions the silver currency is the only one suited to the islands. A great deal of the trade of the Philippines is with China and Japan, the Straits Settlements, India, and Australia. In China and Japan and in India the whole trade is on a silver basis, though Japan has adopted the gold standard, having, however, as the basis of its currency a gold dollar which is, approximately, worth only 50 cents, and its currency therefore in effect is on a silver basis, the same as China and India. The

natives of the Philippine Islands are conservative to a degree in the matter of their currency, and it would be a long and tedious task to educate them to a dollar which would be worth twice that now in circulation. Notwithstanding the Americans have a force of 15,000 soldiers in Manila, who are paid in gold, the people of the islands will have nothing but silver. All of the soldiers when they are paid in gold, take their money to one of the banks and exchange it for local currency. The native will take the Mexican dollar, worth less than 50 cents gold, in preference to the United States dollar worth 100 cents. Any change in the coinage will require time for the natives to become accustomed to it before it will be accepted readily. If the United States retain the Philippine Islands, a special coinage of silver dollars might be minted for circulation in the archipelago, the same as the British dollar has been put in circulation in the Straits Settlements, in Hongkong, and in other ports where British interests predominate. If this should be done, it would probably be advisable to have the inscription in Spanish, as only a very small proportion of the inhabitants understand English, while practically all understand enough Spanish to enable them to decipher the inscription on a coin. In time the gold standard might be put in force in the islands, but in the opinion of the business men generally it would have to be accomplished slowly, and consideration would have to be given to the conservative attitude of the people, and to the fact that they would have to be educated to the value of the new currency. As an evidence of their conservatism, one of the directors of Banco Español Filipino said that when his bank a few years ago changed the form of its bank notes it required several years to educate the people to the new note, which at first they refused to accept as current money.

In the framing of the laws for the government of the islands, it would seem that a due regard to the interests of depositors would require the examination of banks and the publishing of statements of assets and liabilities, as done in the United States by the Government in the case of national banks and by the States in the case of State Institutions. The same law, it would seem, should provide for the keeping of a certain percentage of its deposits in cash in the vaults of the banks, and that the same precautionary measures should be taken as in the United States.

The Mexican dollar, in general circulation in the Philippine Islands, contains 27 grams of silver .900 fine. The value of the dollar has fluctuated with the fluctuation in the price of silver. The purchasing power of the dollar is the bullion value of the silver contained in it, and it increases or decreases in value in accordance with the quotations for bar silver in London, which are received every day by cable in Manila. The Spanish Government has sought in every way to favor home manufactures, and has tried to keep exchange rates favorable to Spanish markets. This was the reason for its prohibition of the importing of Mexican dollars, the intention being to supply the islands with Spanish

coins. It has never met the demands of the country, however, with coins bearing the Spanish stamp, and the merchants and bankers have been compelled to obtain needed currency through the smugglers. The \$6,000,000 of silver sent from Madrid in 1897 was supposed to be the forerunner of more shipments of silver, which were to take the place entirely of the Mexican dollar. All of the Mexican silver in circulation in the islands was then to be taken up and reminted in 50-cent, 20-cent, and 10-cent pieces. The silver dollars sent out by the Spanish Government were made a legal tender for all obligations in the islands, though they lack in weight 2 grams of the weight of the Mexican dollar. These dollars contain only 25 grams of silver .900 fine, or 2 grams less than the Mexican dollar.

There is an issue of \$40,000,000 of bonds which was put out by the Spanish Government in July, 1897, and which serves as a first lien upon the customs receipts of the port of Manila. A royal decree was issued in July, 1897, authorizing this loan and providing that customs receipts of Manila should be made liable, not only for interest, but for principal, and having also the guaranty of the Spanish Government. These bonds were called "cedulas hipotecarias," payable in forty years, and bearing interest at the rate of 6 per cent. The issue price was 92. They were divided into two classes, called A and B bonds. The A bonds consisted of \$25,000,000, issuable in Spain, and with interest and principal payable there. The B bonds comprise the remaining \$15,000,000, and they were to be issued in Manila, with interest and principal payable in Manila. Of the A bonds, \$20,000,000 were underwritten by the Banco Hispano Colonial of Madrid, which was paid a commission of 3 per cent. Of the B bonds issued in Manila, those that were put out were practically a forced loan. The Spanish Government in Manila received deposits from private individuals, and in effect it compelled those having money on deposit to receive these bonds in settlement of their claims against the Government. In this way about \$6,000,000 of B bonds were floated in Manila.

Manila is the business center of the Philippine Islands, and toward this city flows all the metallic currency of private owners, as well as Government funds derived from taxes and general revenue. While two of the banks in Manila have branches in Iloilo, they are in fact agencies and do little, if any, exchange business. With the small amount of currency in the islands, business men are constantly troubled by a lack of funds for the carrying on of business. Fortunately, however, this is in part obviated by the fact of the different products coming in to some extent at different seasons of the year, so that the money which is used for moving one product at one season may be used for the handling of another product at another time in the year. The banks in Manila keep an average cash balance of somewhere in the neighborhood of \$5,000,000, but in the height of the sugar season, say, from February to June, their balances are apt to run very low, while from

September to November they may be considerably over this figure. In the two branch banks in Iloilo there is kept on hand an average of \$1,000,000, or \$500,000 in each institution. In Manila there is in circulation ordinarily between ten and twelve million dollars, principally in silver. Taking into consideration the trade of the southern islands, more than double this amount of money is needed for the ordinary trade of the islands. The production of hemp, or abaca, in a normal period is approximately equal during the whole year. The total cost of the hemp produced amounts to about \$18,000,000, but it is estimated that not more than \$4,000,000 is required to carry on the hemp business. The value of the sugar produced is less than that of hemp, but the season is shorter, and practically the same amount of money is required for the sugar as for the hemp industry. Rice, another product of the country, is practically all used for home consumption, and not more than one to two million dollars in money is required for the handling of this product. It is used largely as a medium of exchange between different ports and provinces.

Advances are made to farmers upon growing crops, and this takes a considerable amount of money. There is a need for better facilities for the loaning of money to planters, as the banks are not inclined to look with favor upon this class of business. As a result, the business of lending money to planters is largely in the hands of the mestizos or Chinese half-castes, who exact interest of from 12 to 30 per cent and even as high as 40 per cent for the use of their money. The banks advance money on any of the products of the islands after they are stored in "godowns" or warehouses. Advances are made running from 75 per cent of the value to the full value of the articles in warehouse, according to the credit enjoyed by the borrower, the rates of interest running from 5 to 7 per cent. The duration of these loans, when made to producers, is generally from three months to one year. Exporters borrow money in the same manner on warehouse receipts; but these loans ordinarily run for a period of not more than three months, which is a sufficient time usually for the preparation of the article for shipment and for its being put aboard ship. Advances are made on letters of credit and on bills of lading for stuff exported.

The high interest rates which have been common in the Philippine Islands in past years have resulted in great hardships to certain classes of people. The half-caste Chinese mestizos make a business of lending money on city or country property not generally acceptable as a guaranty by the banks. In the opinion of some of the business men and bankers in Manila, there should be established a banking institution under Government control for the lending of money to the hacenderos, or planters, at a just and equitable rate of interest. If laws were passed for the recording of property which would make titles which would be accepted by the banks, a large part of the evils that have heretofore existed might be overcome. The plan has been discussed in the past

of having an agricultural bank for the purpose of lending money on growing products, with branches throughout the islands, and if this were done, and the bank were honestly managed, it would serve to put an end in large measure to high interest rates.

Exchange rates in Manila are dependent upon the demand for money and upon the quotations for silver. The silver dollar fluctuates in value with the change in silver quotations, and each day there is a new rate posted at the banks. The following table gives the exchange rates in shillings and pence, both maximum and minimum, for the twenty years ended with 1897:

EXCHANGE ON LONDON.

Years.	Maximum.	Minimum.	Years.	Maximum.	Minimum.
	s. d.	s. d.		s. d.	s. d.
1877.....	4 5 $\frac{3}{4}$	4 0 $\frac{7}{8}$	1888.....	3 8 $\frac{1}{2}$	3 4 $\frac{3}{4}$
1878.....	4 2 $\frac{1}{2}$	4 0 $\frac{7}{8}$	1889.....	3 8	3 4 $\frac{3}{4}$
1879.....	4 0 $\frac{3}{4}$	3 10 $\frac{3}{4}$	1890.....	4 ...	3 4
1880.....	4 1 $\frac{1}{2}$	3 10 $\frac{3}{4}$	1891.....	3 8 $\frac{1}{2}$	3 4 $\frac{1}{2}$
1881.....	4 3 $\frac{1}{2}$	4 0 $\frac{3}{4}$	1892.....	3 4 $\frac{1}{2}$	3 0 $\frac{1}{2}$
1882.....	4 2 $\frac{3}{4}$	4 1 $\frac{1}{2}$	1893.....	3 15 $\frac{3}{4}$	2 3 $\frac{3}{4}$
1883.....	4 2	3 11 $\frac{1}{2}$	1894.....	2 8 $\frac{1}{2}$	2 3 $\frac{1}{2}$
1884.....	3 11	3 9 $\frac{1}{2}$	1895.....	2 5	2 4 $\frac{1}{2}$
1885.....	4 ...	3 10 $\frac{3}{4}$	1896.....	2 7 $\frac{3}{4}$	2 3 $\frac{1}{2}$
1886.....	3 11 $\frac{1}{2}$	3 9 $\frac{1}{2}$	1897.....	2 4 $\frac{3}{4}$	2 4 $\frac{1}{2}$
1887.....	3 10 $\frac{3}{4}$	3 4 $\frac{3}{4}$			1 11 $\frac{1}{2}$

These figures represent the value of the Mexican silver dollar in shillings and pence during the period named.

The Philippine Islands are rich in natural products, and under favorable laws, and with an influx of capital, there would unquestionably be a great increase in the material wealth of the islands. There are copper, gold, iron, and coal deposits throughout the islands, which require only development to prove exceedingly profitable, according to the opinion of expert mining engineers who have made a careful study of the situation.

It is almost impossible to conceive of a country which has been so long under the control of a European power remaining in the condition that exists in the Philippines. There is only one railroad in the islands, running from Manila to Dagupan, 192 kilometers in length, equaling 119.3 miles. The telegraph system is very incomplete, though there are cables running to Hongkong and to Iloilo. According to figures published in 1894, the total length of the telegraph and cable lines running from Manila to Hongkong, and connecting with the southern islands, was 1,592 miles. There are 76 offices, and during the year the total number of dispatches sent was 157,573. No statistics are available for the years following. The postal system is exceedingly crude, and it is almost impossible to communicate with any inland towns and villages. There is a fairly regular mail service between Manila and Hongkong, and between Manila and the principal ports in the islands to the southward.

There are probably no worse roads in the world than those in the Philippine Islands, outside of those in the immediate vicinity of the larger towns. While money is collected each year for road making and bridge building, it is almost invariably diverted from its legitimate purpose, and the roads go from bad to worse. A bridge is built, and there is absolutely no further work done upon it until it is finally washed away by the summer freshets, or until it rots from neglect and age. With good roads and a postal system that would reach throughout the islands, with railroad and telegraph lines connecting the principal towns, and giving communication with the rich agricultural districts away from the seaports, there is no question that the exports of the islands would show a wonderful increase.

The question of labor is a serious one. The natives are not to be depended upon as laborers. They work only when they see fit, and their work is far from being satisfactory. The best workers in the Philippine Islands are the Chinese coolies, most of whom, however, are in and around Manila. The Spanish Government had a law in force under which Chinese coolies were allowed to land on the payment of a tax of \$50 a head. Under the military occupation of Manila, no more Chinese have been allowed to land at that port. The Chinese in the Philippine Islands are like those in the United States—industrious, hard-working, and saving. They make no trouble, and in the past have never identified themselves either with the Spaniards or the rebels in the periodical revolutions which have taken place in the islands. Planters and business men believe the Chinese should be allowed to come in, under proper restrictions, as they make the best servants and in many ways the best laborers that can be obtained in the islands.

Official statistics give the following figures as the revenue for the Philippine Islands for the fiscal year ended June 30, 1897:

INCOME.	
Contribution direct.....	\$8, 496, 170. 00
Customs receipts.....	6, 200, 550. 00
Monopolies, opium, etc.	1, 222, 000. 00
Lotteries.....	1, 000, 000. 00
Rent for Government property.....	257, 100. 00
Miscellaneous.....	298, 300. 00
Total.....	17, 474, 120. 00
EXPENDITURES.	
Obligation general (bonds Spanish Government, etc.).....	1, 507, 900. 46
Estado (state).....	74, 000. 00
Gracio y Justitia (charity and justice).....	1, 896, 277. 71
War (army).....	6, 042, 449. 43
Haciendo (interior).....	1, 393, 184. 68
Navy.....	3, 566, 528. 58
Gobernacion (government).....	2, 198, 350. 05
Fomento (school and education).....	615, 198. 74
Total.....	17, 293, 889. 65
Deductions.....	35, 737. 65
Net expenditures.....	17, 258, 152. 00
Excess of income.....	215, 968. 00

The direct tax for the province of Manila, not including direct city tax, for the fiscal year ended June 30, 1897, is given officially as follows:

Household improvements (not on land or real estate), houses, betterments, etc..	\$76, 835
Contribution industrial on pay roll of business, factories, offices, stores, banks, and professions	382, 250
Cedula personal (16 classes from zero to \$37.50)	208, 944
Chinese cedulas (8 classes, zero to \$30)	189, 573
Railway fares, percentage paid Government.....	24, 729
Penalty of 25 per cent for delinquents.....	4, 872
Ten per cent on all taxes collected in the Ayuntamiento, city licenses on markets, butchers, city's revenues.....	11, 782
Government employees' pensions and salaries of retired officers, 10 per cent withheld.....	29, 288
Total.....	928, 273

In the province of Manila for the fiscal year ended June 30, 1897, indirect taxes were as follows:

Stamps and stamp paper.....	\$522, 043
Opium.....	197, 597
Postage stamps.....	68, 053
Telegraph stamps.....	228, 457
Lottery stamps.....	996, 606
Montes (farms, forests, etc.).....	63, 630
Total.....	2, 076, 386
Total direct.....	928, 273
Grand total.....	3, 004, 659

A discussion of financial conditions in the Philippine Islands is incomplete without reference to the industries of the archipelago. The two are so closely bound together that it would be difficult to gain a fair idea of the one without a knowledge of the other. The banking business is conducted almost wholly for export and import business, and the whole volume of currency is practically in use during the busy season in the exporting of the products of the islands.

The Spanish Government has kept no statistics which show trade conditions in the Philippines. The statistics of the custom house in Manila give no adequate idea of either exports or imports, though taxes are collected on practically all goods arriving and departing. The business of the islands is done through Manila, and very little of the country's products is shipped from other ports. Notwithstanding this fact, it has been found necessary in gathering statistics of the country's trade to obtain figures from private firms. In the matter of the exports of the country's principal products—sugar, hemp, cocoa and tobacco—a fairly correct statement can be made; as to other exports, and as to imports, only approximate figures can be given.

The trade of the islands for the last few months has been disrupted because of the war going on between the United States and Spain. From May 1, until the capture of Manila on August 13, Admiral Dewey maintained an effective blockade of Manila Bay, and there was absolutely no exporting of the country's products from Manila during those months. No goods were allowed to be landed during the time the block-

ade was maintained, except supplies for our troops and ships and some little trading done by the insurgents with the consent of our commanding officers.

The statistics upon which to base an idea of the country's trade and commerce are those, necessarily, of preceding years. For three years preceding the war between Spain and the United States the Philippine Islands have been more or less torn up through local revolutions. Except for the period of time from March, 1897, to May, 1898, the islands had not known absolute peace for more than three years. A great many of the laboring classes had been enrolled in the ranks of the rebels, and not only had this cut down the production of the islands, but the policy of the rebel leaders had been to stop shipment of the country's products to Manila. A large part of the trade of the islands, however, is with seaport towns and the country immediately surrounding these ports. The Spanish Government, by means of its naval vessels, was able to maintain its authority in practically all the ports of the islands. As a result, the trade was not affected as seriously as one would have supposed. The exports for the year 1897 show that the insurrection affected very little the trade of the islands. There was a considerable increase in the production of hemp, tobacco, and sugar along the seacoast, and this practically made up for the loss in the production of the interior.

Practically all the export and import trade of the islands is in the hands of foreigners. There are a few Spaniards engaged in trading, but the bulk of the business, in a commercial way, is done by British, German, Belgian, and American citizens. These men do not meddle with the insurrection, and they have been able to maintain friendly relations not only with the Spanish Government officials, but with the natives as well.

The most reliable figures that can be obtained on exports from the islands for the year 1897 give the following as the value at the point of shipment of the various principal items:

Hemp.....	\$18, 040, 760
Sugar.....	12, 928, 000
Copra.....	4, 462, 920
Tobacco leaf.....	2, 786, 200
Cigars.....	1, 694, 600
Various articles.....	1, 000, 000
Indigo.....	107, 000
Coffee.....	96, 100
Rope.....	63, 400
Sibucao, dyewood.....	49, 100
Gums.....	47, 500
Skins for glue	38, 900
Mother-of-pearl shells.....	27, 800
Total.....	41, 342, 280

There are no official figures obtainable giving the imports for the Philippine Islands. One of the larger importing houses, which keeps statistics of imports and which has practically complete figures of all

goods shipped into Manila, has prepared the following table giving the approximate value of imports during the year 1897, including goods imported by shopkeepers and Chinese from Hongkong:

1. Woven fancy goods (ginghams, grandvills, muslins, regattas, trouserings, etc.)	£380, 000
2. Printed goods (prints, printed grandines, etc.).....	270, 000
3. Yarns and sewing thread.....	130, 000
4. Ironware, hollow ware, and fancy articles, known in China trade as "muck and truck".....	230, 000
5. Skirtings, gray cloths, drills (white and twills), crydons, etc.....	300, 000
6. Imports from Hongkong	300, 000
Total	1, 610, 000
Say, in Mexican money.....	\$16, 100, 000

Coal imports amounted to about 90,000 tons. Petroleum imports amounted to about 114,330 cases.

The average value of coal in Manila is \$10 a ton, which would make this item \$900,000. Petroleum is worth on an average \$3 a case, or \$342,990. Adding these two items to the estimated table of imports gives a total of \$17,342,990. Taking these figures as being correct, there is a trade balance in favor of the islands of \$23,999,290, that being the excess of exports over imports.

There is practically no labor-saving machinery in use in the islands. Business men have been slow about making improvements or adding to their investments, as one revolution after another has taught them that the Government was unstable, and they feared to add to their investments in the islands. It is the consensus of opinion that under any stable form of government it will be found advisable to put in all of the latest labor-saving machinery, and to establish manufactories for the handling of the raw material of the islands. Already some of the larger shippers of sugar and hemp are figuring on the manufacture of the raw material into the finished product. In Hongkong and in other Asiatic ports there are sugar refineries which are supplied almost entirely with the raw sugar from the Philippine Islands. It is proposed to establish refineries in the islands themselves, and to turn out the finished product ready for shipment to any country where freights will permit of profitable competition.

The four principal industries of the islands are hemp, sugar, copra, and tobacco. Hemp leads the list in the aggregate value of exports, sugar coming second. Copra is a comparatively new industry, but a very important one to the islands. The tobacco industry is an important one, and there are large exports each year of tobacco leaf and manufactured tobacco.

The principal industry of the Philippine Islands, as shown in the money return, is in the production of hemp. The southern part of Luzon Island, and other islands to the south, are given up largely to the production of hemp, of which practically all is shipped to other countries to be manufactured. For the year 1897, according to the most

reliable figures which could be obtained, the export value of the hemp raised in the Philippine Islands was a little more than \$18,000,000, silver. It is the industry which supports a large proportion of the population of those islands, where it is extensively grown, and according to the opinion of those most familiar with the trade, there is no danger of an overproduction and a consequent decrease in the selling price of this product. Manila hemp is used in the manufacture of cordage of a superior class. For ships' purposes it is superior to any other material, considering its cost and wearing qualities. The cultivation of hemp, while carried on extensively in the Philippine Islands, is conducted in a most primitive manner. It is found nowhere else in the world, and while it is now extensively cultivated, and large amounts of land are planted in it, it is still found growing wild in certain portions of the islands, and in quantities which make it worth while to gather it for shipment. Hemp, or "abaca," as it is called in the Philippine Islands, is a product of a species of the plantain tree. In its wild state it grows to a height of 8 to 12 feet, but under cultivation it grows to a height of 15 or 20 feet, with a trunk from 8 to 12 inches in diameter. The stalk of this tree is in appearance something like the banana plant—merely a collection of fibrous leaves, which are closely joined together, and which can be easily cut with a single blow of a sharp knife. The tree is allowed to mature, which requires about three years, this being dependent upon the soil and the elevation of the land upon which it is planted above sea level. When the tree has attained the proper age it is cut down and divided into long strips, which are put under a large knife, weighted with a lever, and under which the strips are drawn. This separates the stalk and juice from the fiber, and the latter is then spread out upon the ground to dry. This work is all done at the plantations, and after the abaca or hemp is sufficiently dried it is gathered up and taken in bullock carts to the nearest waterway, and shipped to some port where it is made into bales ready for export.

The production of hemp is carried on extensively by natives, by Spaniards, and by foreigners. The natives who are engaged in the business extensively are for the most part half-castes, or mestizos—the ordinary native of full blood lacking both energy and capital to carry on the production of hemp, except in a limited way. The export business is practically all in the hands of foreigners, mostly English, Belgian, and German houses. The following table gives the amount of hemp exported, in piculs, with the maximum and minimum price for each year for the twenty years ended with 1897:

HEMP OR ABACA.

Years.	Maximum prices.	Minimum prices.	Exportation in piculs.*	Years.	Maximum prices.	Minimum prices.	Exportation in piculs.*
1877.....	\$6.50	\$5.00	630,536	1888.....	\$17.00	\$7.75	1,332,858
1878.....	5.62½	5.00	667,378	1889.....	17.12½	12.50	1,187,142
1879.....	8.50	4.75	647,959	1890.....	14.50	8.62½	1,012,310
1880.....	18.48½	5.62½	800,936	1891.....	11.00	8.25	1,271,094
1881.....	11.18½	7.50	868,904	1892.....	10.87½	8.12½	1,581,016
1882.....	11.37½	9.18¾	707,344	1893.....	10.00	7.87½	1,282,942
1883.....	11.31½	9.25	746,870	1894.....	9.12½	6.75	1,591,932
1884.....	10.25	8.00	815,618	1895.....	9.31½	6.43¾	1,664,520
1885.....	9.25	6.75	834,260	1896.....	7.75	6.18¾	1,531,786
1886.....	8.31½	6.00	743,364	1897.....	7.55	6.12½	1,804,576
1887.....	11.25	7.50	1,029,946				

* A picul is equal to 140 pounds avoirdupois.

In the opinion of those who are largely interested in the hemp industry there is a great future for this product. There are vast tracts of uncultivated land in those parallels of latitude where it flourishes with the greatest vigor, and all that is needed is capital and enterprise to open it up. The fact that there is a constantly growing demand for hemp will probably serve to keep prices up, even though the production is largely increased. The preparation of hemp for the market is carried on in an exceedingly crude manner, and experiments have been made, so far without any very great degree of success, to perfect machinery which will make the cost of its preparation smaller, and which will effect a considerable saving in the number of people employed on a plantation. In preparing hemp for shipment the fiber is packed in bales in compresses similar to those in use in early days for baling cotton in the Southern States. There are no compresses worked by steam, and the baling of hemp is a slow and tedious process. A compress built on the plans of those now used at the principal ports from which cotton is shipped in the Southern States would serve a double purpose; it would make the baling of hemp a much shorter process than under the present system, and would enable much larger quantities to be put in the holds of steamers, thereby reducing the freight charges. In the opinion of exporters in Manila this is something that is very much needed in the islands.

There would also seem to be room for the establishment of a plant for the making of cordage. There is practically no rope manufactured in the Philippine Islands. During the year 1897 the total exports of hempen rope and cable amounted to only 4,029 piculs, as compared with exports of 3,468 during the preceding year.

The larger portion of the hemp grown in the Philippine Islands is exported from Manila. As shown in the table preceding, the exports for 1897 were 1,804,576 piculs. The exports to the several countries which are large users of hemp were as follows:

	Piculs.
United States (Atlantic Coast).....	733,004
United States (Pacific Coast).....	51,900
Great Britain.....	728,344
Europe (continent).....	28,596

	<i>Piculs.</i>
Australia	38, 058
Singapore and India.....	12, 468
China and Japan.....	51, 300

Sugar forms an important item in the export trade of the Philippine Islands, standing second to hemp. For the year 1897 the total exports of sugar from the various ports of the Philippine Islands amounted to \$13,000,000, silver, in round numbers. In the production of sugar, the people of the islands content themselves with the production of raw sugar, which is practically all shipped away from the islands to be refined. The refined sugar sold in the markets of the islands is raised in the Philippines, shipped to Hongkong, where it is refined, and reshipped to Manila for sale. The preparation of sugar for the market is more difficult and complicated than the preparation of either hemp or tobacco, which is another important industry in the Philippines. The production of sugar varies from year to year, according to the favorable or unfavorable weather which prevails during the sugar-making season. For 1897, the exports of sugar show a falling off of more than 400,000 piculs from the shipments of the preceding year. This was due largely to the fact that during 1897 the cane fields in the provinces near Manila were destroyed by the insurgents. Then, too, many of the men employed on sugar plantations left their work to join the ranks of the insurgents, and there was in consequence a scarcity of labor. While hemp practically all passes through the port of Manila, sugar is exported in considerable quantities from Iloilo and Cebu. During 1897 the exports from Iloilo largely exceeded those from Manila, and while Manila shipments showed a falling off, there was a considerable increase in the exports from the port of Iloilo. This increase was due to the opening of a number of sugar plantations in the Visaya group of islands. A large part of the sugar produced in the southern group comes from the island of Negros, which produces more than the other islands of the Visaya group combined. The total exports of sugar for the year 1897 were 3,233,483 piculs, as compared with 3,678,618 piculs in 1896. The largest shipment shown during any year in the history of the islands was in 1893, when more than 4,000,000 piculs were exported. The following table gives the exports in piculs, with the maximum and minimum price, in silver, for the twenty years ending with 1897. The prices quoted are all in silver.

SUGAR.

Years.	Maximum price.	Minimum price.	Exports in piculs.	Years.	Maximum price.	Minimum price.	Exports in piculs.
1877	\$8. 75	\$4. 37½	1, 965, 888	1888	\$4. 12½	\$3. 43¾	2, 969, 920
1878	5. 62½	4. 37½	1, 890, 259	1889	5. 25	3. 62½	3, 502, 812
1879	6. 25	4. 31¼	2, 145, 423	1890	4. 00	3. 25	2, 360, 422
1880	5. 62½	4. 25	2, 904, 317	1891	4. 00	3. 31½	2, 662, 625
1881	4. 93¾	4. 31¼	3, 362, 572	1892	4. 25	3. 43¾	3, 951, 060
1882	5. 43¾	4. 43¾	2, 451, 951	1893	4. 81¼	4. 00	4, 184, 296
1883	5. 00	4. 50	3, 403, 499	1894	4. 68¾	3. 06¼	3, 109, 108
1884	4. 56¼	3. 25	1, 966, 799	1895	4. 00	3. 00	3, 694, 769
1885	4. 25	3. 00	3, 255, 850	1896	4. 37½	3. 25	3, 678, 618
1886	4. 12½	3. 00	2, 972, 789	1897	4. 25	3. 50	3, 233, 483
1887	4. 25	2. 87½	2, 866, 383				

The United States gets only a small portion of the sugar produced in the Philippine Islands. According to statistics kept by one of the export houses in Manila, the shipments of sugar from Manila to the various countries were as follows :

	<i>Piculs.</i>
United States.....	40, 000
Great Britain.....	183, 788
Europe (continent).....	28, 400
China and Japan.....	691, 449

The sugar exported from Cebu went to Great Britain, China, and Japan, there being no shipments from that port to the United States. The exports were divided as follows :

	<i>Piculs.</i>
Great Britain.....	80, 800
China and Japan.....	166, 310

Sugar exported from Iloilo during 1897 went to the following countries :

	<i>Piculs.</i>
United States and Canada.....	375, 618
Great Britain.....	488, 000
China and Japan.....	1, 205, 087

Sugar cane is raised in all parts of the archipelago. While there has been a big increase in the export of sugar during the last twenty years, the quality of the product has not improved with the increase in quantity. The appliances used for making sugar from cane juice are so primitive in character that the quality of the sugar is not up to the standard desired, and, as a result, prices have shown an almost constant decline. In Cuba the big sugar plantations are fitted up with the very best and most improved machinery, but though nearly all of the big sugar plantations in the Philippines are owned by Spaniards, they have shown no disposition to make improvements in the methods in vogue. This disposition to continue old and antiquated methods is due largely to the fact of the frequently recurring revolutions, which have caused the Spaniards to feel that Spanish sovereignty in the islands was menaced, and that their property might be confiscated at any time. With a stable form of government in which the people generally had confidence, it is believed extensive improvements would be made in the methods of making sugar, and that there would be a consequent improvement in the quality of the product. In conversation with some of the big sugar exporters, your commissioner was informed that plans are now under way for the establishment of sugar refineries in the principal sugar-producing sections, and that it was probable, within a short time after the question of the future sovereignty of the islands was determined, refined sugar would be exported in considerable quantities.

Small steam mills have now taken the place of the old-fashioned mills worked with water buffalo ; but these mills are primitive in character and slow in operation. Both wet and dry-sugar is shipped, but with improved machinery it is believed that not only could a much better

price be obtained, but that the demand for the sugar would be considerably increased. In the provinces tributary to Iloilo, the planters use machinery of more recent date, and the sugar exported from that port is in greater demand and brings higher prices than that from Manila.

Tobacco leaf, cigars, and cigarettes have formed a considerable item in the exports of the Philippine Islands. Until the year 1882 the Spanish Government had a monopoly of the tobacco industry, and much of the discontent that existed up to that time among the natives was due to the tobacco monopoly laws which were on the statute books, and the rigorous manner in which the officials enforced them. The natives in those sections where tobacco could be produced advantageously were compelled to plant a certain amount of land in tobacco, and the entire product of the islands was required to be delivered to the Government warehouses, where payment was made at prices arbitrarily fixed by the Spanish Government. Each unmarried native who cultivated tobacco was required to set out 4,000 plants each year, and each married man was required to set out double that number. There were Government inspectors who supervised the planting, cultivation, and harvesting of the crop, and who also required that it be packed in a certain way and shipped at a certain time to the Government warehouses. The natives were not permitted to use the tobacco which they grew. Penalties were provided for those who smoked cigars or cigarettes, and it was not an uncommon thing for a native engaged in the raising of tobacco to be put in jail for smoking a few leaves which he had raised himself, and which he had rolled into a crude cigar or made into a cigarette. According to the evidence of foreigners, inspectors often arrested natives on a charge of smoking their own tobacco when, as a matter of fact, the charge was entirely unfounded. The price paid by the Government for tobacco under the monopoly was about one-half what is now paid. During a good portion of the time the monopoly was in force, particularly the latter part, payment was made in scrip, redeemable at the option of the Government. For a number of years this scrip was paid with a fair degree of promptitude, but after a time payment was deferred for so long a period that it often sold for one-third of its face value. Speculators did a good business in buying this scrip from the natives at from 10 to 40 per cent of its face value, and some of the fortunes made by officeholders, it is claimed, came from this system.

The injustice worked through the tobacco monopoly in the Philippine Islands became so great, and the natives had become so incensed over the unjust treatment accorded them, that finally the Spanish Government was compelled to end the monopoly. An investigation was made and a royal edict was issued under which the monopoly ended in December, 1882. The cultivators of leaf tobacco were freed from Government supervision on July 1 of that year. The tobacco business is now con-

ducted as any other industry in the islands, and large manufactories have been erected for the making of cigars and cigarettes. This is one of the important industries of Manila, which practically controls the manufacture and export of tobacco, and where a great many people are constantly employed in the factories. From its monopoly of the tobacco industry the Spanish Government derived a revenue which, for several years preceding the ending of the monopoly, averaged about \$4,000,000 a year. The number of officials employed in this branch of the service alone exceeded 400. The cutting off of this source of revenue proved so serious a blow to the finances of the islands that it was found necessary to increase taxes in other ways. License fees were increased, the cedula personales, or head tax, was considerably increased, and an export tax on leaf and manufactured tobacco was put in force.

The cigars manufactured in Manila are sold for a very small price. The average price lists of the various manufacturers in Manila show a range of from \$10 to \$75, silver, a thousand. The ordinary cigar of Manila, of fair quality, sells for about \$2, silver, a hundred, or less than 1 cent apiece figured on our money basis. There is very little tobacco and few cigars shipped from the Philippines to the United States. Freight charges, customs dues, and internal revenue taxes make the cost of the cigars so high that they can not compete with our domestic cigars. In China, Japan, and India, Manila cigars are used almost exclusively, and there is a constant increase in the export of both leaf and manufactured tobacco.

Exports of tobacco leaf during the year 1897 were considerably in excess of those of 1896. The total exports for the year were 309,585 quintals of 46 kilograms, or 101.42 pounds to the quintal, as compared with exports of 198,978 for 1896, or an increase of 110,607 quintals. Principal shipments were as follows :

	<i>Quintals.</i>
Europe (continent).....	245, 436
Great Britain.....	51, 635
Singapore and India.....	9, 734
China and Japan.....	2, 748
Australia.....	32

Of the shipments to the continent of Europe nine-tenths went to Spain. Of the shipments of tobacco to Great Britain only one-fifth was for consumption in that country, the remainder being manufactured and reshipped to Portugal, Sweden, and other European countries.

Shipments of cigars during the year 1897 showed a falling off as compared with the shipments for the preceding year, owing to the fact that many of the operatives in Manila having joined the ranks of the insurgents. The total shipments of cigars for the year 1897 were 169,465,000, as compared with 194,136,000 for 1896, a decrease of 24,671,000. Principal shipments were as follows :

China and Japan.....	58, 420, 000
Singapore and India.....	37, 310, 000
Europe (continent).....	30, 500, 000

Great Britain.....	24, 290, 000
Australia.....	16, 300, 000
United States and Canada (Atlantic).....	2, 460, 000
United States (Pacific).....	183, 000

Copra is a growing industry in the Philippine Islands. It is only during the last few years that there have been any shipments of copra, and the increase of the trade in this has been remarkable. For the year just ended the estimated value of the copra shipped from the various ports is \$4, 462, 920, silver. The total exports for 1897 were 808,416 piculs, as compared with 607,531 piculs for 1896. Shipments to the various countries were as follows :

	<i>Piculs.</i>
Europe (continent).....	748, 981
Great Britain.....	57, 614
Singapore and India.....	1, 697
China.....	124

Copra is dried cocoanut, and it is used largely in the manufacture of soaps. During the year 1897 the copra industry has been exceptionally prosperous, more than 200,000 piculs having been exported from Manila alone. The first shipments of copra were in 1892, when 5,000 piculs were exported. The Caroline Islands produced most of the copra formerly exported from the islands, being shipped in small schooners to Manila and transshipped from there. Now, however, it is produced in nearly all of the islands of the group, and it is estimated that the next year's shipments will amount to 1,000,000 piculs.

There are considerable shipments from the islands of dye-woods, coffee, indigo, mother-of-pearl shells, resins, gums, and untanned skins.

Coffee was an important industry until a few years ago, and large coffee plantations have been established in various parts of Luzon and other islands of the group. In 1891 an insect made its appearance on the coffee plantations, which destroyed the plants, and practically all of the big coffee plantations have now been abandoned. During the year 1897 exports of coffee were only 2,236 piculs, but this was an increase of 804 piculs over the shipments of the preceding year. Efforts have been made to stop the ravages of the insect which has destroyed the coffee plantations, but so far with only partial success. It is believed that a careful study by experts would discover a means of killing the insects, and that the coffee industry would once more assume its old-time proportions. For the year 1897 the value of the coffee exported from the Philippine Islands was only \$96,100. When the industry was at its height, shipments were made of more than \$4,000,000 in a single year. The shipments of coffee to the various countries were as follows :

	<i>Piculs.</i>
Europe (continent).....	1, 969
China and Japan.....	246
Australia.....	12
Singapore and India.....	9

During the year 1897 there was exported from the islands 2,378 quintals (of 46 kilograms) of indigo. This went principally to Singa-

pore and India, there being small shipments made to Great Britain, to the continent of Europe, and to China and Japan.

There is a small trade in mother-of-pearl shells from the islands, the exports for the year 1897 amounting to 506 piculs, as compared with 67 piculs during the preceding year.

Shipments of skins to be manufactured into glue during the year 1897 amounted to 4,332 piculs, as compared with 2,476 piculs during 1896. The shipments were made to China and Japan, Singapore, India, United States, and Canada.

Gums of various sorts are exported in small quantities, and in the opinion of the business men of Manila there is an opportunity for a considerable increase in this industry. During the year 1897 the total shipments of gums of the various sorts amounted to 5,274 piculs, as compared with 6,303 piculs for 1896.

The prosperity of the Philippine Islands is dependent in a large measure upon the shipping industry. The islands are cut off from the markets of the world, and the entire trade, both export and import, is dependent upon freight rates by steamer and sailing ship. The statistics of freights are incomplete. The following table gives freight rates from Manila to the United States and Great Britain for the twenty years ending with 1897:

Freight rates from Manila to the United States and Great Britain.

[PER ENGLISH TON OF 2,240 POUNDS.]

Years.	United States.		Great Britain.	
	Maximum.	Minimum.	Maximum.	Minimum.
1877	\$10.00	\$7.00	£ s. d. 4 5 0	£ s. d. 2 12 0
1878	8.00	4.00	3 0 0	1 15 6
1879	12.00	4.00	4 5 0	2 0 0
1880	10.00	5.00	4 0 0	3 2 6
1881	13.00	8.00	4 0 0	3 10 0
1882	10.00	7.00	4 0 0	2 15 0
1883	7.50	6.00	4 0 0	2 15 0
1884	6.00	4.00	3 0 0	2 7 6
1885	6.00	4.00	3 0 0	2 0 0
1886	4.50	3.00	2 2 6	1 15 0
1887	6.00	3.50	2 0 0	2 10 0
1888	8.00	5.00	3 0 0	2 0 0
1889	8.00	5.00	5 5 0	2 15 0
1890	5.75	5.50	3 12 0	2 12 6
1891	5.75	5.50	4 0 0	3 0 0
1892	5.00	4.00	3 7 6	2 5 0
1893	4 75	3.75	2 16 0	2 0 0
1894	5.00	4.00	2 12 6	2 10 0
1895	5.75	4.00	3 3 6	1 17 6
1896	5.25	3.25	2 10 0	1 2 6
1897	4.50	3.00	2 0 0	2 0 0

Freight rates from the United States and Great Britain to Manila for the twenty years ending with 1897 are shown in the following table:

PHILIPPINE ISLANDS.

Freight rates from the United States and Great Britain to Manila.

[PER ENGLISH TON OF 2,240 POUNDS.]

Years.	United States.		Great Britain.	
	Maximum.	Minimum.	Maximum.	Minimum.
1877.....	\$14.00	\$7.00	£ s. d. 8 7 6	£ s. d. 1 12 6
1878.....	9.00	3.00	2 5 0	0 15 0
1879.....	12.00	3.50	2 15 0	1 5 0
1880.....	12.00	8.00	2 17 6	1 17 0
1881.....	14.00	8.00	2 15 0	0 15 0
1882.....	13.00	8.00	3 2 6	1 10 0
1883.....	10.50	8.00	2 17 6	1 12 6
1884.....	8.00	5.00	1 17 6	1 7 6
1885.....	9.25	5.00	1 12 6	1 0 0
1886.....	6.50	3.00	1 10 0	1 0 0
1887.....	6.00	5.50	1 10 0	1 0 0
1888.....	9.00	6.00	1 15 0	1 12 6
1889.....	11.00	5.50	2 2 6	0 15 0
1890.....	6.50	5.00	1 13 6	0 15 0
1891.....	7.00	6.25	1 10 0	1 5 0
1892.....	6.50	5.00	1 12 6	1 0 0
1893.....	5.25	4.50	1 17 6	1 10 0
1894.....	6.00	5.00	1 10 0	1 7 6
1895.....	7.00	5.00	1 10 0	1 2 6
1896.....	6.25	4.00	1 5 0	1 3 9
1897.....	6.00	4.25	1 10 0	1 0 0

Respectfully submitted.

E. W. HARDEN,

Special Commissioner of United States to the Philippine Islands.

To the SECRETARY OF THE TREASURY.

APPENDIX.

To give an idea of the banking institutions in Manila, I have secured the annual reports of the three banking institutions, including the statements as shown by the last reports made public. The following are the essential details of the statements of the three banks. As mentioned in the main body of the report, the statements made for the Chartered Bank of India, Australia, and China, and of the Hongkong and Shanghai Banking Corporation, are for the parent organizations, and include the operations of all of the branches. No separate statements are available showing only the operations of the branch banks in Manila.

BANCO ESPAÑOL FILIPINO.

Memorial read in the general meeting of shareholders of the Banco Español Filipino on the 3d of February, 1898.

TO THE SHAREHOLDERS: The governing board being required by paragraph 12 of article 49 to prepare and present to the general board a comprehensive memorial showing the transactions carried on by the bank, it comes to-day, well pleased to give an account of its labors, and of the result obtained in the twenty-fifth year of its corporate existence.

Two facts of importance announced in the preceding memorial have been realized in the course of the year—the establishment of the Iloilo Branch Bank, which commenced operations the 15th of last March, and the final approval of the new by-laws in virtue of the royal order of the 14th of July last.

One of the requirements of this royal decree is in reference to the presentation within a term therein designated of the regulations under which the bank will make use of the right conceded it of issuing bonds (*cedulas hipotecarias*). This has already been done by the governing board, basing its labors on the law of the Mortgage Bank of Spain, regulating that class of operations, considering the same as a finished model and one worthy of imitation.

The policy of the establishment of the Iloilo branch has been fully demonstrated by the success which has been attained by the same; in the nine months it has been open to the public, besides paying its current expenses and the expenses of inauguration, it has added to its assets a sum amounting in round numbers to \$14,000, or about 1 per cent of the capital stock. Such a commencement affirms the well-founded belief held by the board that the returns from this branch would increase from day to day. There is all the more reason to maintain this belief, in that the future expenses will not be so heavy, and the natural and logical deduction therefrom is that if, in the short period of existence of a branch bank, a period which has not included the season of the sugar crop, the principal source of wealth of Basayas and of the commercial operations of Iloilo, the predicted result was obtained, it follows that this will be increased in proportion to the energy and activity by which the branch bank, attracting the attention and confidence of the public, develops its business.

The final approval of the by-laws, after a thorough discussion of everything therein relating to mercantile transactions, has placed the bank in a position to extend its sphere of business activity until it embraces every class of mercantile transaction. Owing to this, and notwithstanding and in addition to the powerful effort made by the

bank in increasing by once and a half its capital in the brief space of nine months, it has been necessary to combat with energy the contretemps resulting from the paralyzation of commerce due to the now, fortunately, ended rebellion, and to sacrifice at times the interests of the bank on the altar of patriotism and public interest. This was in order not to suspend for a moment the assistance which in this difficult situation—a situation due to deeds condemned by every honest conscience—has been continually lent in support of the Philippine treasury.

One of the means by which we have loaned this aid was the part we have taken in floating the loan raised by Philippine treasury bonds (*cedulas hipotecarias de Filipinas*), Series "B," issued by virtue of a royal decree of the 28th of June last, investing the amount of money on hand in the Deposit Bank (*Caja de Deposito*), contributing by this means to dispel doubts in some minds existing in regard to the feasibility of the loan, and thereby giving the required support to the credit of the public treasury. From this investment and from the addition of another small sum to fill out round numbers, the bank is to-day in possession of 7,000 provisional bonds, representing a face value of \$700,000.

As is always the result in good causes, our efforts were rewarded; the bank overcame the difficulties which arose, and, far from being weakened by them, increased in life and energy. This fact is shown with irresistible force and eloquence by the data hereto appended comparing the transactions effected in 1897 with those of 1896:

Banking transactions.

Operations in 1897, 3,659, amounting to.....	\$33, 642, 399. 75
Operations in 1896, 4,781, amounting to.....	21, 699, 285. 55
Increase in 1897	11, 943, 114. 20

Accounts current.

DEPOSITS.

Operations in 1897, 8,737, amounting to.....	\$88, 286, 647. 39
Operations in 1896, 8,591, amounting to.....	61, 356, 817. 77
Increase in 1897	26, 929, 829. 62

CHECKS.

Operations in 1897, 27,905, amounting to.....	88, 285, 392. 80
Operations in 1896, 23,753, amounting to.....	61, 611, 367. 47
Increase in 1897.....	26, 674, 025. 33

DEPOSITS.

Transactions in 1897, 301, amounting to.....	1, 515, 295. 62
Transactions in 1896, 250, amounting to.....	555, 959. 98
Increase in 1897	959, 335. 64

As a result of the foregoing operations the bank has gained a net profit of \$320,004.97 which has been distributed as follows:

As the increase of the capital to \$1,500,000 was not paid up entirely until March 31 last, the dividend corresponding to the first half year was divided, 6 per cent being paid on \$1,200,000, the amount of 6,000 shares emitted up to January 1; and 3 per cent was paid on \$300,000, the amount of the 1,500 shares emitted April 1. In this manner, therefore, on the 30th of June last there was distributed \$81,000, and on December 31 last \$120,000—a dividend of 8 per cent on \$1,500,000.

In accordance with article 24 of the new by-laws, that the legal reserve fund shall represent 15 per cent of the effective capital instead of 10 per cent, as before established,

and that said fund be made up from the net profits of transactions, there have been added to this fund \$75,000, with which addition the reserve amounts to \$225,000, and complies with the legal requirements.

To the voluntary reserve fund has been added the sum of \$23,796, making a total at present amounting to \$435,000, which, with the \$225,000 of the legal reserve fund, makes a total of \$660,000, or 44 per cent of the capital.

For greater clearness we present the following résumé of the distribution of profits:

Paid to shareholders.....	\$201, 000. 00
Carried to legal reserve fund.....	75, 000. 00
Carried to voluntary reserve fund.....	23, 796. 00
Balance for next half year.....	20, 208. 97
Total	320, 004. 97

The result shown by the foregoing figures is certainly flattering, relating as it does in greater part to the last half of the year, from which we can judge that with the beginning of the present year coincident with the revival of public confidence in business activity, severely shaken as these have been by the events of bitter memory heretofore referred to, of which may God forbid a repetition. It is to be hoped that the total sum of profits which for this year we are able to offer for the consideration of the shareholders will not decrease, but may surpass that of last year; for the peace which has been brought about with such skill and ability in connection with energy and necessary severity will in all probability remain unbroken, and in this case the various sources of the wealth treasured by the country, its industries, and its commerce will be developed with the aid of the bank, which is always ready to lend its assistance, and we shall thereby obtain the legitimate profit due us for our labors with our credit and capital.

Condition of Banco Español Filipino on the 31st of December, 1897.

ASSETS.

Real estate.....	\$80, 000. 00
Fixtures and office furniture.....	3, 500. 00
Bills receivable.....	4, 180, 712. 05
Deposits on accounts current.....	953, 435. 77
Various accounts.....	2, 488, 203. 98
Cash on hand.....	4, 920, 694. 88
Total.....	12, 626, 546. 68

LIABILITIES.

Capital stock.....	1, 500, 000. 00
Reserve fund, legal.....	225, 000. 00
Reserve fund, voluntary.....	435, 000. 00
Deposits.....	1, 308, 988. 14
Accounts current.....	2, 913, 317. 68
Checks accepted.....	1, 674, 264. 82
Notes on hand.....	62, 505. 00
Notes in circulation.....	4, 355, 505. 00
Unpaid dividends.....	11, 757. 10
Eighty-eighth dividend.....	120, 000. 00
Loss and gain.....	20, 208. 94
Total.....	12, 626, 546. 68

HONGKONG AND SHANGHAI BANKING CORPORATION.

The directors submit to you a general statement of the affairs of the bank and balance sheet for the half year ended June 30, 1898:

The net profits for that period, including \$298,863.22 balance brought forward from

last account, after paying all charges, deducting interest paid and due, and making provision for bad and doubtful accounts, amount to \$2,685,395.02.

The directors recommend the transfer of \$1,000,000 from the profit and loss account to credit of reserve fund, which fund will then stand at \$9,000,000. They also recommend writing off bank premises account the sum of \$250,000.

After making these transfers and deducting remuneration to directors there remains for appropriation \$1,420,395.02, out of which the directors recommend a dividend of one pound and five shillings sterling per share, which will absorb \$444,444.44.

The difference in exchange between 4s. 6d., the rate at which the dividend is declared, and 1s. 11d., the rate of the day, amounts to \$599,033.82. The balance, \$376,916.76, to be carried to new profit and loss account.

Abstract of assets and liabilities, Hongkong and Shanghai Banking Corporation, June 30, 1898.

LIABILITIES.

Paid-up capital.....	\$10,000,000.00
Reserve fund.....	8,000,000.00
Marine insurance account.....	250,000.00
Notes in circulation.....	9,342,568.18
Current accounts—	
Silver	\$48,051,168.45
Gold..... £6,606,984 8s. 8d.=	68,581,866.48
	116,633,034.93
Fixed deposits—	
Silver.....	30,552,284.95
Gold..... £2,616,881 7s. 5d.=	27,174,388.84
	57,726,673.79
Bills payable (including drafts on London bankers and short sight drawings on London office against bills receivable and bullion shipments).....	17,293,785.85
Profit and loss account	2,685,395.02
Total.....	221,931,457.77

ASSETS.

Cash.....	38,149,199.45
Bullion in hand and in transit.....	6,926,873.93
Indian and colonial securities ..	5,173,373.32
Investments, viz :	
£250,000 2½ per cent consols lodged with the Bank of England as a special London reserve...	\$1,900,000.00
£481,000 consols and other sterling securities.....	4,992,000.00
	6,892,000.00
Bills discounted, loans and credits.....	87,550,970.03
Bills receivable.....	76,290,818.89
Bank premises.....	948,222.15
Total	221,931,457.77

General profit and loss account, Hongkong and Shanghai Banking Corporation, June 30, 1898.

DEBIT.

To amounts written off—	
Remuneration to directors	\$15,000.00
To dividend account—	
£1 5s. per share on 80,000 shares = £100,000, at 4s. 6d.....	444,444.44
To dividend adjustment account—	
Difference in exchange between 4s. 6d., the rate at which the dividend is declared, and 1s. 11d., the rate of the day	599,033.82
To transfer to reserve fund.....	1,000,000.00
To transfer to bank premises account.....	250,000.00
To balance carried forward to next half year.....	376,916.76
Total.....	2,685,395.02

CREDIT.

By balance of undivided profits, December 31, 1897..	\$298, 863. 22	
By amount of net profits for the six months ended June 30, 1898, after making provision for bad and doubtful debts, deducting all expenses and interest paid and due.....	2, 386, 531. 80	\$2, 685, 395. 02
Total	2, 685, 395. 02	

Reserve Fund.

To balance.....	\$9, 000, 000. 00	
By balance, December 31, 1897.....	8, 000, 000. 00	
By transfer from profit and loss account.....	1, 000, 000. 00	
Total.....	9, 000, 000. 00	

CHARTERED BANK OF INDIA, AUSTRALIA, AND CHINA.

The directors submit to the shareholders the balance sheet and profit and loss account of the bank for the year ended December 31 last.

These show a net profit, after providing for bad and doubtful debts, of £174,402 19s. 9d., inclusive of £13,678 2s. 6d., brought forward from the previous year. The interim dividend at the rate of 8 per cent per annum paid in October last absorbed £32,000, and a further sum of £10,000 has been appropriated to pay a bonus of 10 per cent on the salaries of the staff. The amount now available is, therefore, £132,402 19s. 9d., out of which the directors propose to pay a final dividend at the rate of 10 per cent per annum, making 9 per cent for the whole year; to add £75,000 to the reserve fund, which will then stand at £450,000; to add £5,000 to the officers' superannuation fund, and to carry forward the balance of £12,402 19s. 9d.

LIABILITIES AND ASSETS, DECEMBER 31, 1897.

	£	s.	d.
To capital paid up in full.....	800, 000	0	0
To reserve fund.....	375, 000	0	0
To notes in circulation.....	669, 379	3	4
To current accounts.....	2, 695, 927	8	11
To fixed deposits.....	3, 760, 784	8	2
To bills payable—			
Drafts on demand and at short sight on	£	s.	d.
head office and branches.....	808, 033	0	2
Drafts on London and foreign bankers....	1, 374, 629	10	5
	2, 182, 662	10	7
To loans payable, against securities.....	1, 015, 741	13	4
To due to agents and correspondents.....	13, 345	7	9
To sundry liabilities.....	185, 140	9	9
To profit and loss	132, 402	19	9
Total	11, 830, 384	1	7

Liability on bills of exchange rediscounted, £3,877,629 11s. 10d., of which, up to this date, £2,640,247 0s. 3d. have run off.

	£.	s.	d.
By cash in hand and at bankers.....	1, 308, 455	0	9
By bullion.....	781, 576	16	3
By government and other securities	703, 071	5	11
By security against note issue*.....	277, 491	14	0

* The bank, in terms of its amended charter, has deposited with the Hongkong and Straits governments, and with the Crown agents for the Colonies, securities to the value of £277,491 14s. 0d., as special reserve for its note issue.

	£	s.	d.
By bills of exchange.....	3,940,366	13	3
By bills discounted and loans.....	4,454,776	1	7
By due by agents and correspondents.....	210,972	12	8
By balances between head office and branches, including exchange adjustments.....	27,139	17	1
By sundry assets.....	18,266	14	5
By bank premises and furniture at the head office and branches. .	108,267	5	8
Total.....	11,830,384	1	7

Profit and loss account for the year ended December 31, 1897.

DEBIT.

	£	s.	d.
To interim dividend, for the half year to June 30 last, at the rate of 8 per cent per annum	32,000	0	0
To bonus to staff.....	10,000	0	0
To balance proposed to be dealt with as follows—			
Dividend, at the rate of 10 per cent per annum, for the half year to date.....	40,000	0	0
Reserve fund	75,000	0	0
Officers' superannuation fund.....	5,000	0	0
Profit and loss, new account.....	12,402	19	9
	132,402	19	9
Total	174,402	19	9

CREDIT.

	£	s.	d.
By balance December 31, 1896.....	13,678	2	6
By gross profits for the year, after providing for bad and doubtful debts.....	292,533	19	3
Deduct expenses of management and general charges at head office and branches	131,809	2	0
Net profits for the year.....	160,724	17	3
Total.....	174,402	19	9

MONTE DE PIEDAD.

Following is a summary of the report made at the last meeting of stockholders of the Monte de Piedad and Savings Bank of Manila, which is a public pawn shop operated there:

In 1896 there were received 44,991 pledges, on which were loaned \$1,025,145, a decrease in business, compared with 1895, of \$15,049. Renewed pledges to the amount of \$399,731 were received in 1896, an increase of \$54,319 on corresponding transactions in 1895. In 1896 there were redeemed 30,269 pledges, on which had been loaned \$638,877, and interest charged and collected to the amount of \$17,895.18. In 1896 there were sold at auction 1,036 unredeemed pledges, on which was realized \$15,177, and the accrued interest on pledges so sold amounted to \$1,109.07, and commission charged of 5 per cent amounted to \$514.22.

The following table shows the total increase of profits and commissions for the year 1896 :

Years.	Redeemed pledges.	Renewed pledges.	Auction sales.	Commissions.	Total.
1896	\$17,895. 18	\$25,185. 17	\$1,109. 07	\$514. 22	\$44,708. 64
1895	14,122. 85	21,990. 18	812. 26	551. 55	37,476. 85
1896.					
Increase.....	3,772. 33	3,194. 99	296. 81		7,226. 79
Decrease.....				37. 83	

This table shows a total increase of profits for 1896 over 1895 of \$7,226.79.

If the disturbances of public order were noticed in the pawn department, they produced still greater effects in the business of the savings bank ; during the first half year there was an increase of deposits amounting to \$83,337.13. Had the second half year continued as favorable, the total increase for the year would have been \$166,674.26, but there was shown a decrease of \$23,404.04. Between deposits and interest paid out this year there has been disbursed a sum amounting to \$389,849.83, which is in excess of deposits by \$23,404.

By virtue of authority conceded to discount promissory notes with the funds on deposit, we have realized by interest \$22,782.42, being an increase for 1896 over the business of 1895 of \$11,309.62.

Recapitulation of receipts and disbursements for 1896.

Interest collected in every way.....	\$72,368. 19
Expenditures of every description.....	57,758. 17
Amount capitalized this year.....	14,610. 02

CURRENCY LAWS.

One of the important questions to be decided in framing laws for the government of the Philippine Islands will be that of its currency. In talking with business men there was not one who expressed himself as favoring the immediate adoption of a gold standard to take the place of the present currency of the islands. Several of the most prominent business men in Manila, including bankers, gave their views on this subject, which are summarized as follows :

I.

I unhesitatingly favor a silver currency and the free entry of Mexican dollars as a necessity. The country at present is not advanced or civilized enough for a gold currency. The chief wants of the native are grown and supplied in the country, and he would find himself in a very critical situation were he to receive in hard cash half what is now being paid, as though same were a gold coin ; he would still be unable to buy more necessities with it, as his needs are not being supplied by imports from gold-using countries. In a few years, when the natives are more civilized and in a position to take advantage of the cheap prices a gold dollar would give to imported goods, some gradual change to a gold currency might be discussed, as has been attempted in Great Britain's Indian colonies. Any sudden change to a gold currency is not to be thought of. It would bring with it a serious dislocation of trade, and a heavy reduction in the exports of the islands for some years would be inevitable, as it would be years before the

native could reduce cost of production to a price which would allow him to sell his produce on the basis of a gold dollar. Also, immense improvements would have to be made and capital invested in improved labor-saving machinery, to enable him to so improve the produce of his estates that the increased price he could obtain in Europe for a superior article would recompense him to some extent for the enhanced cost of labor and living.

II.

We consider it would be most disastrous to agriculturists. The price of sugar, for example, would drop one-half in value, and render cultivation impossible on account of the extra cost, as laborers, etc., would insist on getting their wages paid in gold, and as the planter could not get more than the market price for the sugar, he would be ruined.

III.

The fluctuation of exchange has been the result of a greater demand for a metallic currency at certain periods of the year, at a time when the banks were not authorized to import Mexican coin, and the mint was not in operation. To remedy this trouble, it will be necessary to know previously what will be the currency of the country; if Mexican, as this is the currency which circulates in China and the greater part of the Orient, its free importation into the country would regulate exchange in harmony with the value of silver more directly than at present, and fluctuations would not be so great nor so dependent upon greater or lesser exportation. The best form of currency for the country under existing circumstances and its political conditions is the Mexican dollar with a local fractional currency, which could be coined either in America or in this country. The introduction of the gold standard would cause great disturbance to commerce, and would have the effect of considerably reducing the value of the products of the country. The only ones to benefit thereby would be those who take their savings or gains to gold-standard countries, in no wise benefiting this. The charter of the Spanish Philippine bank was renewed two years ago for another twenty-five years, so that it has remaining twenty-three years of legal existence. The only obligation which was imposed upon the bank for the concession of its charter was an annual concession to the Government of a loan amounting in the maximum to \$500,000 for six months at a rate of interest 1 per cent less than the minimum rate charged the public. The present circumstances obliged the bank to lend its support to the public treasury, and the debt in account current was increased, reaching the figure of \$1,700,000 at this date.

IV.

The currency of the islands should be maintained on its present basis. Later on a special coin might be minted which would be accepted by the natives, but the gold standard could not be used in the Philippine Islands under present conditions. Gold coin would be bought up and exported, just as sugar or hemp would be, and all gold brought into the islands would be shipped to London for sale, to be melted and coined into sovereigns. Japan has given the world an example of the mistake of attempting to put in force a gold standard where the people did not understand or appreciate its advantages over a silver coin.

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